



STATEMENT OF AT&T CONNECTICUT

**Regarding Proposed Senate Bill No. 657
AN ACT CONCERNING CONSUMER PROTECTION OF CABLE TELEVISION
AND VIDEO SERVICE CUSTOMERS
Before the Committee on Energy and Technology
February 21, 2012**

Proposal:

The legislation would require franchise renewals for all cable and video providers every five years; require cable and video providers to build out their networks as ordered; include the name and number of the OCC on all bills; include taxes and fees in advertised prices; disclose all terms and conditions in a font size at least one-half the size of the advertised price; and include notice of a price change two months prior to enactment and on the front page of any bill.

Comments:

AT&T respectfully opposes Senate Bill No. 657 as its provisions are unnecessary, unworkable, and inappropriate in today's highly competitive marketplace.

In 2007, the Connecticut General Assembly opened up Connecticut's video market to long sought-after competition by establishing a new licensing process for new providers and, in recognition of the competitive environment it was creating, it eliminated franchise renewal requirements for existing cable companies when a new provider started offering service within a franchise area.

The rules which were created for new providers and existing providers alike were based on Connecticut's existing consumer-friendly cable television laws and included protections including, but not limited to: prohibitions against red-lining in the provisions of service; support for local community access programming and programmers; the establishment of video advisory councils to represent the interests of subscribers; significant on-going disclosure of rates, terms and conditions; privacy protections for customers; an informal dispute resolution process for customer complaints; application of federal customer service standards; notice of rate and programming changes; credits for outages; carriage of emergency alerts; free service for schools and libraries where the service is available; and most importantly broad PURA authority to enforce the terms of this law. Put simply, the law today contains abundant protections for consumers and authority to the PURA to enforce those protections; as a result, additional requirements are not necessary.

The requirements contemplated in the proposed bill are in many respects more onerous than the franchise renewal process which existed prior to the introduction of competition in late

2007. While under past law the PURA typically renewed franchises every 8-12 years and conducted proceedings accordingly, this legislation would call for renewal every five years.

In a competitive marketplace like that found in Connecticut, video and cable providers must either provide quality service at the level and price the customer wants or the customer will take their business elsewhere. Furthermore, video and cable providers face additional intense competition from satellite TV and Internet content providers, which are not regulated by the PURA at all.

AT&T has received few complaints about its service. In fact, in all of 2012, AT&T received approximately 135 complaints from PURA, Office of the Attorney General, and Department of Consumer Protection regarding its video service. That is a minor fraction of the customers the company has in the state and an extremely small percentage when one considers all of the interactions it has with all potential and actual customers.

The OCC is not staffed for nor the appropriate agency to take customer complaints and so including their name and number on customer bills would not be in the interest of the very consumers such a provision is meant to aid. The OCC's role is to represent the interest of consumers during proceedings at the PURA. They are advocates. They lack the staffing, resources and expertise necessary to handle customer complaints and that is not a role which was envisioned for that agency. More importantly, such a dedicated customer unit already exists at the PURA. They take calls from customers every day and work with them and providers to rectify complaints. There is no need for the OCC to attempt to duplicate this role.

The 2007 video law which brought competition to this state established by statute, for all potential providers to consider, the rules under which they were to operate. Providers made a conscious decision to enter the market based on that law. The changes envisioned to that law by this proposal represent nearly 180 degree reversal in terms of many requirements – and this is after companies made the decision to invest here in Connecticut. Such a reversal would be a demonstrable act of bad faith on the part of the state of Connecticut and only serve as yet another example of this state's, at-time, hostile attitude towards business.

The language in the proposal appears to require that video providers agree to and meet a build-out schedule. This is again directly contrary to the 2007 video law. Build-out requirements were specifically rejected in the 2007 law because they had historically acted as a disincentive to investment on the part of new entrants. Additionally, the very technology which some providers use in the market don't lend themselves to a build-out requirement and in fact could force a provider to either leave the market or be in violation of the law.

Providers can not include all taxes and fees in their advertisements because such taxes and fees vary from one town to the next, making advertising on a mass scale all but impossible.

Some fees are also in proportion to the amount of the service purchased by the customer and vary from customer to customer and month by month. For example, fees which customers pay to support local community access operations vary from region to region and quite often from town to town. In addition, such requirements increase business costs by requiring providers to customize their advertising inserts and commercials for each particular market, in a most extreme case, as noted, for each town. Finally, what is special about video service or cable service that would require it to include all taxes and fees in its advertisements when such requirements are not applicable to all advertised products and services?

Video providers are already required to notice customers not less than thirty days before any rate increases or the elimination or reduction of any programming. We are likewise required to make notice to the PURA, chairs of the Energy and Technology Committee, and to our advisory council. This notice period provides ample time for a customer to make inquiries or to leave for another provider. In addition, the notice requirement to these other entities helps to provide sufficient oversight. Adding additional time to the existing requirement is not necessary and will make it more difficult for providers to operate their businesses.

Connecticut law already provides ample protection for consumers against deceptive practices and therefore some sort of special protection for cable and video customers is not necessary. This protection can be found in negligence, breach of contract, fraud and Connecticut Unfair Trade Practices Act claims brought everyday in our Courts. In addition, this new proposed law will lack the existing case law available to existing statute to allow for a consistent interpretation and will only serve to chill the offerings from cable or video providers.

The provisions in this bill would not apply to all providers even though some of them have far larger market share than other providers; specifically satellite providers would be exempt from this bill's provisions while AT&T, a much smaller provider in terms of customers, would be subject to these reviews. In addition, the rules contemplated in this legislation would apply equally to cable companies who have dominant market share as well as all new entrants. Connecticut has historically not sought to overburden new providers in the market, since those burdens act as a disincentive to invest in the state and are more of a burden on a smaller provider than they are on a larger one.

A growing portion of consumers are receiving their video programming from providers not subject to this legislation or to any state rules and regulatory requirements. Over the top video providers like NetFlix and Hulu for example stream video programming over broadband lines or wireless networks directly to consumers, and the use of such streaming services is growing rapidly. At the end of September 2012, NetFlix reported that it had more than 29 million subscribers.

Conclusion:

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AT&T respectfully opposes Proposed Senate Bill No. 657 and urges the Committee to reject it.